

**ADMINISTRATIVE PROCEEDING  
BEFORE THE  
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF:	*	
AMERICAN ESPORTS, INC,	*	Case No. 2020-0160
and	*	
DANIEL CANUBAS,	*	
Respondents.	*	
*                      *	*	*                      *

**ORDER TO SHOW CAUSE**

WHEREAS, the Securities Division of the Office of the Maryland Attorney General (the “Division”), pursuant to the authority granted by section 11-801 of the Maryland Securities Act, Corporations and Associations Article, Title 11, Annotated Code of Maryland (2014 Repl. Vol. and Supp. 2021) (the “Act” or “Securities Act”), conducted an investigation of the Respondents, American Esports, Inc. (“Esports”) and Daniel Canubas (“Canubas”) (collectively “Respondents”); and

WHEREAS, based on that investigation the Maryland Securities Commissioner (the “Commissioner”) has determined that Respondents may have engaged in acts or practices constituting violations of sections 11-301, 11-401, 11-402, and 11-501 of the Act; and

NOW, THEREFORE, pursuant to section 11-701.1 of the Act, it is hereby:

**ORDERED**, that each Respondent show cause why that person should not be barred permanently from engaging in the securities and investment advisory business in Maryland, and

why a monetary penalty should not be entered against that person in the amount of \$5,000 for each violation of the Act; and it is further

**ORDERED**, that each Respondent show cause why a final order should not be entered against that person, ordering that person to cease and desist from further violations of sections 11-301, 11-401, 11-402 and 11-501 of the Act.

NOW, THEREFORE, THE COMMISSIONER ALLEGES THE FOLLOWING AS A BASIS FOR THIS ORDER:

### **I. JURISDICTION**

1. The Securities Commissioner has jurisdiction in this proceeding pursuant to section 11-801 of the Act.

### **II. RESPONDENTS**

2. Canubas worked from his apartment in Montgomery County, Maryland. He has never been registered as a broker-dealer, agent, investment adviser, or investment adviser representative in Maryland. Canubas is the owner and founder of Esports. Canubas was also the president of Plug N Go Electrix, LLC (“Plug”).

3. Esports is a Delaware limited liability company selling convertible promissory notes to Maryland residents and others. Esports maintained offices in Maryland. Esports has never been registered as a broker-dealer or investment adviser in Maryland.

### **III. STATEMENT OF FACTS**

#### **Plug N Go Electrix, LLC Sale of Securities**

4. On December 3, 2021, the Maryland Securities Division issued a Final Order against Plug for violations of sections 11-301, 11-401, 11-402, and 11-501 of the Act. Plug

described its business as “an innovative, green technology firm with a mission to make electric personal urban mobility vehicles a ubiquitous part of everyday life.”

5. Between October 7, 2012 and April 12, 2013, Canubas solicited at least three Maryland investors to purchase Plug’s convertible promissory notes. Each of the notes was for at least one year and promised returns of 10-12%. Plug’s investor questionnaires demonstrate that the investors were not accredited investors.

6. The convertible promissory notes identify the notes as securities.

7. Investor funds were deposited into a bank account for Plug. Plug raised at least \$150,000 from Maryland investors in its convertible promissory notes.

8. Canubas told investors that their investments would be safe and that they would make millions from their investments.

9. Investors who have asked to be repaid have been ignored by Plug and Canubas. The promissory notes did not disclose any risks that either the principal or the interest might not be paid.

10. Canubas sold the promissory notes to unsophisticated, unaccredited investors.

11. Canubas did not disclose to investors that he was not registered to sell the investments in Plug.

12. Canubas did not disclose to the investors that no registration or exemption filing or claim that the promissory notes were federal covered securities had been filed with respect to their offer and sale in Maryland.

## **American Esport Sale of Securities**

13. On its website Esports describes its business:

American Esports serves the amateur competitive gaming community. Those players who aspire to improve their video gaming skills, compete in tournaments and realize opportunities to translate their passion to purpose, whether through online certificates, high school and college curricula, academic programs and scholarships, or by positioning themselves to secure a job in the fastest growing tech industry, esports.

14. Between September 7, 2018 and February 12, 2020, Canubas solicited at least twenty-four investors in Esports.

15. Canubas told investors that they were investing in Esports stock and that their investment would be safe. He advised some investors that because they were “friends and family” they would receive an extra 20% in Esport shares. He also represented that a \$50,000 investment would be worth \$5,000,000 in five years.

16. Investors did not receive stock but instead entered into promissory notes that promised a 7.5% annual interest rate. The promissory notes generally had a one-year due date. The promissory notes are past their maturity date.

17. Investors who have asked to be repaid have been ignored by Respondents. The promissory notes did not disclose any risks that either the principal or the interest might not be paid.

18. Respondents sold the promissory notes to unsophisticated, unaccredited investors.

19. The Note Purchase Agreement falsely states that the notes are “exempt from the registration requirements of the Securities Act and applicable state securities laws.”

20. The Note Purchase Agreement falsely states, “[t]he Investor is an investor in

securities of companies in the development stage and acknowledges that it is able to fend for itself, can bear the economic risk of its investment and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment in the Underlying Note Securities.”

21. The Note Purchase Agreement falsely states for some investors that, “[t]he Investor is an accredited investor within the meaning of Rule 501 of Regulation D prescribed by the Securities and Exchange Commission pursuant to the Securities Act.” One investor was Canubas’ children’s piano teacher who is not an experienced or accredited investor. Her accredited investor questionnaire was not filled out or signed.

22. Only two investors completed “Exhibit B Form of Accredited Investor Questionnaire” indicating that they were accredited investors.

23. The Note Purchase Agreement falsely states, that the Notes were sold pursuant to Rule 144. Contrary to Rule 144, Canubas assured investors that they could get their investments back at any time and Respondents were not selling stock in the company.

24. Investor funds were deposited into a bank account for Esport. Canubas raised approximately \$1,383,000 from investors in Esport convertible promissory notes.

25. On information and belief, Canubus used investor funds for personal expenses such as dining out, travel, entertainment, and other personal expenses. For example, Canubas spent \$76,936.44 on “Meals and Entertainment” and \$60,254.27 on “Travel” in 2019.

26. Respondents did not disclose to investors that they were requiring investors to falsely agree that the loan participation interest were not securities.

27. Respondents did not disclose to investors that Canubas was not registered to sell the investments in Esport.

28. Respondents did not disclose to investors the risks identified above and falsely told investors that the promissory notes were being sold pursuant to Rule 144.

29. Respondents did not disclose to the investors that the promissory notes were not registered as securities and that no exemption filing or claim that the securities were federal covered securities had been filed with respect to their offer and sale in Maryland.

**COUNT I**  
**(Offer of Unregistered Securities - section 11-501)**  
**(All Respondents)**

WHEREAS, the promissory notes described herein as offered and sold by Respondents constitute “securities” within the definition contained in section 11-101(s) of the Act; and

WHEREAS, section 11-501 of the Act makes it unlawful for any person to offer or sell a security in this State unless the security is registered, exempt from registration under Subtitle 6 of the Act, or qualifies as a federal covered security; and

WHEREAS, Canubas offered and sold promissory notes issued by Plug as described above; and

WHEREAS, Respondents offered and sold promissory notes issued by Esport as described above; and

WHEREAS, the securities offered and sold by Respondents are not registered with the Division, nor has a claim of exemption from registration or a claim that the securities are federal covered securities been filed with respect to the offerings; and

WHEREAS, Respondents have offered and sold securities in violation of the registration requirements of section 11-501 of the Act; and

NOW, THEREFORE, IT IS HEREBY **ORDERED** that each Respondent show cause why a final order should not be issued that orders that Respondent to cease and desist from further violations of the securities registration provisions of section 11-501 of the Act, assesses that Respondent the statutory penalty of \$5,000 per violation of section 11-501 of the Act, permanently bars that Respondent from the securities and investment advisory business in Maryland, and orders any other sanction or combination of sanctions against that Respondent as permitted under section 11-701.1 of the Act.

**COUNT II**  
**(Unregistered Broker-Dealer or Agent - section 11-401(a))**  
**(All Respondents)**

WHEREAS, section 11-101(c) of the Act defines “broker-dealer” to mean a person engaged in the business of effecting transactions in securities for the account of others or for his own account; and

WHEREAS, section 11-101(l) of the Act defines “issuer” to mean any person who issues or proposes to issue a security; and

WHEREAS, section 11-101(b) of the Act defines “agent” to mean an individual other than a broker-dealer who represents a broker-dealer or issuer in effecting or attempting to effect the purchase or sale of securities; and

WHEREAS, section 11-401(a) of the Act makes it unlawful for any person to transact business in this State as a broker-dealer or agent unless that person is registered as a broker-dealer

or agent; and

WHEREAS, Respondents have transacted business as a broker-dealer or agent in this State by effecting securities transactions in promissory notes while they were not registered with the Division as a broker-dealer or agent, in violation of section 11-401(a) of the Act; and

NOW, THEREFORE, IT IS HEREBY **ORDERED** that each Respondent show cause why a final order should not be issued that orders that Respondent to cease and desist from further violations of the registration provisions of section 11-401(a) of the Act, assesses that Respondent the statutory penalty of \$5,000 per violation of section 11-401(a) of the Act, permanently bars that Respondent from the securities and investment advisory business in Maryland and orders any other sanction or combination of sanctions against that Respondent as permitted under section 11-701.1 of the Act.

**COUNT III**  
**(Employment of Unregistered Agents**  
**- section 11-402)**  
**(Esport)**

WHEREAS, section 11-101(l) of the Act defines “issuer” to mean any person who issues or proposes to issue a security; and

WHEREAS, section 11-101(c) of the Act defines “broker-dealer” to mean a person engaged in the business of effecting transactions in securities for the account of others or for his own account; and

WHEREAS, section 11-101(a) of the Act defines “agent” to mean an individual other than a broker-dealer who represents a broker-dealer or issuer in effecting or attempting to effect the



purchase or sale of securities; and

WHEREAS, the promissory notes offered by Respondent Esport are securities pursuant to section 11-101(s) of the Act; and

WHEREAS, section 11-402(a) of the Act makes it unlawful for any broker-dealer or issuer to employ or associate with an agent unless the agent is registered; and

WHEREAS, Esport employed an agent, Canubas, to engage in the offer and sale of securities without being registered in this State as an agent; and

NOW, THEREFORE, IT IS HEREBY **ORDERED** that Respondent Esport show cause why a final order should not be issued that orders it to cease and desist from engaging in activities in further violation of section 11-402 of the Act, assesses it the statutory penalty of \$5,000 per violation of section 11-402 of the Act, permanently bars it from the securities and investment advisory business in Maryland, and orders any other sanction or combination of sanctions against it as permitted under section 11-701.1 of the Act.

**COUNT IV**  
**(Fraud in Connection with the Offer or Sale of Securities - section 11-301)**  
**(All Respondents)**

WHEREAS, section 11-301 of the Act makes it unlawful for any person, in connection with the offer, sale or purchase of any security, directly or indirectly to:

- (1) employ any device, scheme or artifice to defraud;
- (2) make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

- (3) engage in any act, practice or course of business which operates or would operate as a fraud or deceit on any person; and

WHEREAS, Respondents employed a device, scheme or artifice to defraud by offering and selling unregistered securities, failing to disclose the risks associated with those securities, falsely stating that investors could get their money back any time, falsely claiming that the securities were being sold pursuant to Rule 144 and as further described in the Statement of Facts; and

WHEREAS, Respondents failed to disclose material facts in the offer and sale of securities, including the risks associated with the promissory notes, that investors could not get their money back whenever they wanted, that the sale of the promissory notes did not meet the requirements of Rule 144, that the funds would be used to fund Canubas' personal expenses and as further described in the Statement of Facts; and

WHEREAS, Respondents engaged in an act, practice or course of business which operated as a fraud or deceit on investors by selling high risk promissory notes to unsophisticated, unaccredited investors that falsely misrepresented that the investors were both accredited and sophisticated, claiming that the promissory notes were being sold pursuant to Rule 144, failing to disclose that investor funds would be used to fund Canubas's personal expenses and as further described in the Statement of Facts; and

IT IS FURTHER **ORDERED**, that Respondents each show cause why a final order should not be issued that orders that Respondent to cease and desist from engaging in the offer and sale of securities in violation of the anti-fraud provisions of section 11-301 of the Act, assesses that Respondent the statutory penalty of \$5,000 per violation, permanently bars that Respondent from

engaging in the securities and investment advisory business in Maryland, and orders any other sanction or combination of sanctions against that Respondent as permitted under section 11-701.1 of the Act.

**REQUIREMENT OF ANSWER AND  
NOTICE OF OPPORTUNITY FOR HEARING**

IT IS FURTHER **ORDERED**, pursuant to section 11-801 of the Act and COMAR 02.02.06.06, that each Respondent shall file with the Securities Commissioner a written Answer to this Order within fifteen days of service of the Order. The Answer shall admit or deny each factual allegation in the Order and shall set forth affirmative defenses, if any. A Respondent without knowledge or information sufficient to form a belief as to the truth of an allegation shall so state.

The Answer also shall indicate whether the Respondent requests a hearing. A hearing to determine whether the Order should be vacated, modified, or entered as final will be scheduled in this matter if one is requested in writing. Failure by any Respondent to file a request for a hearing in this matter within fifteen days of receipt of the Order shall be deemed a waiver by that Respondent of the right to such a hearing.

Failure to file an Answer, including a request for a hearing, shall result in entry of a final order:

- (a) directing that Respondent to permanently cease and desist from violation of the Act; and
- (b) imposing a monetary penalty of up to \$5,000 per violation of the Act; and

- (c) barring that Respondent from engaging in the securities or investment advisory business in Maryland for or on behalf of others, or from acting as principal or consultant in any entity so engaged.

**SO ORDERED:**

**Commissioner's Signature on File  
w/Original Documents**

DATED: April 28, 2022

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Melanie Senter Lubin  
Securities Commissioner

